

## Trade Policy

# Consultations, Listening Sessions and Status of U.S.-EU Trade Topics

### EU Requests Consultations with U.S. and Canada on Beef Hormone Case

In November 2004, the EU (European Union) requested consultations with the United States and Canada regarding both nations' continued suspension of concessions related to the EU's 2003 beef hormone directive. The EU believes that continued sanctions by the United States and Canada against certain EU exports because of the EU's ban on hormone beef are illegal, since the EU in its view has removed measures found to be inconsistent with WTO (World Trade Organization) obligations. The EU continues to claim that its recent studies show that growth hormones are not safe. The United States does not believe the EU is WTO-compliant because the EU has not provided any new scientific findings to support its hormone ban.

On Dec. 16, 2004, separate consultations were held at the WTO in Geneva, Switzerland, between the EU and the United States and the EU and Canada. Questions focused on trade impacts of U.S. and Canadian sanctions and how a nation's compliance with a WTO panel is determined.

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### EU Requests Formal WTO Consultations on FSC Replacement Bill

In November, the EU formally requested the United States to enter into consultations in the WTO concerning the FSC (Foreign Sales Corporation) replace-



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ment bill. The JOBS Act replaced the FSC legislation on Jan. 1, 2005, and has come under scrutiny from the EU for transitional provisions that allow some U.S. exporters to continue FSC benefits for two years. Subsequently, the European Commission announced plans to temporarily suspend its sanctions against the United States on Jan. 1, 2005, while the EU appealed to the WTO to assess whether certain JOBS Act provisions are WTO-consistent.

If the WTO panel should find against the U.S. law, the EU will re-impose duties at a lower level on Jan. 1, 2006. Opposition from some member states, however, has prevented the Commission from lifting the sanctions, and the issue will need to be reconsidered in 2005. EU sanctions against certain U.S. products have been in place since March 2004 in

the form of an additional 1-percent tariff added every month. Retaliations rose to 15 percent on Jan. 1, 2005.

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### EU Announces Retaliation List for the Byrd Amendment

In November 2004, the EU notified the WTO of its retaliation list regarding the dispute with the United States' Byrd Amendment, or the Continued Dumping and Subsidy Act of 2000, which allows companies to receive duties collected from foreign competitors for practices deemed to be unfair. Only one of the products notified to the WTO was an agricultural product (frozen sweet corn), and it is unclear what higher tariff level would apply to this product due to non-agricultural products on the retaliation list.

## EUROPE

According to a WTO formula, the EU is allowed to place retaliatory measures against the United States equal to 72 percent of the total Byrd law disbursements made on each country's exports. The EU would be able to retaliate against roughly \$18 million based on fiscal 2003 disbursements. The EU is expected to wait until early 2005 to await fiscal 2004 disbursement data before retaliating and to see whether the new U.S. Congress addresses the issue.

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### U.S.-EU Wine Negotiators Press Closer to Agreement

The EU and the United States continue to negotiate a bilateral wine agreement. Both sides have been working intensively to conclude a unified agree-

ment and have resolved longstanding issues concerning wine-making practices and the use of certain label terms for wines sold in the United States. However, there is still no agreement on the use of geographical indications and intellectual property rights. In fiscal 2004, U.S. wine imports from the EU were \$2.3 billion, and U.S. exports to the EU totaled \$426 million.

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### U.S.-EU Brown Rice Negotiations

Since Fall 2004, the United States has been engaged in negotiations with the EU, as required under WTO rules, seeking that the EU revise its recently modified import regime for brown rice. On Sept. 1, 2004, the EU ended the decade-old MOP (Margin of Preference) system for rice

imports and substituted a high bound duty on brown rice imports of 65 euros per ton. The United States made clear to the EU that this change is not adequate compensation under WTO Article 28 for ending the MOP. In January, the United States announced plans to raise retaliatory tariffs on EU fruits, vegetables, cheeses and spices under WTO rules. In February, the United States and EU reached an agreement to allow a lower applied import duty and thus strengthen U.S. access. The EU is the top market for U.S. brown rice exports, buying an average of \$33 million worth a year since 1999.

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### U.S.-EU Listening Sessions Held in the United States and Europe

From July through December 2004, listening sessions were held to solicit recommendations and strategies from stakeholders (industry, academia, etc.) on how to eliminate trade, regulatory and investment barriers between the United States and the EU. Consensus recommendations will be discussed at the June 2005 U.S.-EU Summit.

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*Web sites:*

[www.ustr.gov/World\\_Regions/Europe\\_Mediterranean/Transatlantic\\_Dialogue/Section\\_Index.html](http://www.ustr.gov/World_Regions/Europe_Mediterranean/Transatlantic_Dialogue/Section_Index.html)

[www.state.gov/p/eur/rt/eu/c12967.htm](http://www.state.gov/p/eur/rt/eu/c12967.htm) ■

*Due to the fluid nature of these issues, readers should contact authors for updates.*

